

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 EB-08 AGRE-00 CIAE-00 INR-10
NSAE-00 CPR-01 /032 W
-----074375 190756Z /20
R 190639Z APR 78
FM AMEMBASSY WARSAW
TO SECSTATE WASHDC 4576

C O N F I D E N T I A L SECTION 1 OF 2 WARSAW 3263

PASS AGRICULTURE/FAS/ EULER

E.O. 11652: GDS
TAGS: EAGR PL
SUBJ: SECRETARY BERGLAND'S TRIP TO POLAND

REF: STATE 94513

1. AS OF NOW THERE ARE NO NEW DEVELOPMENTS TO ADD TO THE VARIOUS
REQUIRED AND VOLUNTARY REPORTS ISSUED PERIODICALLY FROM EMBASSY
WARSAW ON THE POLISH AGRICULTURAL SITUATION.

2. IN SUMMARY, POOR GRAIN HARVESTS CAUSED BY EXTREMES OF WEATHER
HAVE DOMINATED THE POLISH AGRICULTURAL PICTURE SINCE THE RECORD
HARVEST OF 1974. THE RAPID RUN-UP IN LIVESTOCK NUMBERS (MOSTLY
SWINE), BEGINNING IN 1971, HAD BY 1974 TURNED POLAND INTO A
SIGNIFICANT NET IMPORTER OF GRAINS AND FEEDS (APPROX. 4 MMT).
THE DROP IN DOMESTIC GRAIN PRODUCTION IN 1975 (19.5 MMT VS. 22.9
MMT IN 1974), COMBINED WITH THE USSR'S SIMULTANROUS INABILITY TO
SUPPLY THE CUSTOMARY 1-2 MMT OF GRAINS THAT YEAR, CAUGHT THE
GOP IN A SHORT POSITION ON FEED GRAIN SUPPLIES WHICH IT WAS
UNABLE TO CORRECT EITHER LOGISTICALLY OR FINANCIALLY ON SHORT
NOTICE. THUS, IN REACTION TO SHORT FEED SUPPLIES, POLISH LIVE-
STOCK NUMBERS DECREASED SHARPLY BEGINNING IN SPRING, 1976, AND
CONTINUING UNTIL EARLY 1977.

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3. DESPITE LOWER LIVESTOCK NUMBERS, THE GOP CONTINUED TO IM-
PORT FEED SUPPLIES HEAVILY IN 1976/1977, TO REPLENISH STOCKS
DEPLETED PRACTICALLY TO ZERO LEVEL DURING THE PRECEDING SEASON.
THOSE IMPORTS, TOGETHER WITH AN IMPROVED HARVEST IN 1976 (20.8 MMT)
AND INCREASED PRODUCER PRICES FOR LIVESTOCK, CREATED CONDITIONS
FAVORABLE TO THE RAPID RECOVERY OF SWINE NUMBERS DURING 1977.
BY JANUARY, 1978, THE HOG POPULATION WAS NEARING THE LEVEL FROM

WHICH IT BEGAN ITS DESCENT IN 1975.

4. CASTING A LONG SHADOW OVER THAT PROGRESS, HOWEVER, WAS THE DROP IN DOMESTIC GRAIN PRODUCTION AGAIN IN 1977 (19.4 MMT), PLUS A DISASTROUS POTATO HARVEST (41.3 MMT, VS. 50 MMT IN 1976). AS FOLLOWERS OF THE POLISH AGRICULTURAL SCENE ARE AWARE, POTATOES STILL COMPRISE THE MAJOR SOURCE OF ENERGY IN SWINE RATIONS IN POLAND.

5. FOR 1977/78, THE GOP IS STRIVING TO HOLD UP LIVESTOCK NUMBERS THROUGH EVEN MORE MASSIVE IMPORTS OF GRAIN (EST. 7.0 MMT) AND PROTEIN FEEDS (EST. 1 PLUS MMT) AND BY FINANCIAL INCENTIVES TO GROWERS. THE SUCCESS OF THIS STRATEGY WILL DEPEND HEAVILY ON FARMERS' ASSESSMENT OF PROSPECTS FOR THE 1978 GRAIN AND POTATO CROPS -- WHICH AT THIS POINT APPEAR TO BE ONLY FAIR.

6. EVEN THOUGH POLISH WINTER CROPS (RYE, WINTER WHEAT, AND RAPESEED) SURVIVED THE WINTER OF 1977/78 RELATIVELY UNSCATHED, ANOTHER LATE, COLD SPRING IS RETARDING GROWTH OF THESE CROPS, HAMPERING SPRING FIELD WORK, AND DELAYING THE PLANTING OF MANY SPRING CROPS, INCLUDING POTATOES AND CORN. IN ADDITION, HEAVY LEACHING OF SOIL NUTRIENTS BY EXCESS RAIN AND FLOODING IN 1977, PLUS SHORT FERTILIZER SUPPLIES IN 1978, DO NOT BODE WELL FOR YIELDS EVEN IF IMPROVED WEATHER CONDITIONS PREVAIL DURING THE BALANCE OF THIS GROWING SEASON.

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7. ASSUMING, HOWEVER, THAT THE WEATHER DOES COOPERATE THIS YEAR (BEST CASE SCENARIO), A 21.5 MMT GRAIN CROP MIGHT BE POSSIBLE IN 1978, I.E. 2 PLUS MMT UP FROM 1977. IN THAT CASE, AND WITH CONTINUED HEAVY GRAIN AND FEED IMPORTS IN 1978/79 (6-7 MMT?), A SITUATION CONDUCIVE TO NET EXPANSION OF LIVESTOCK NUMBERS COULD AGAIN PREVAIL -- FOR THE FIRST TIME SINCE THE 1974 HARVEST.

8. SINCE FEED SUPPLIES (DOMESTIC PLUS IMPORTED) ARE PRACTICALLY AT EQUILIBRIUM WITH LIVESTOCK NUMBERS UNDER THE BEST OF CIRCUMSTANCES IN POLAND, AND SINCE GROWTH IN DOMESTIC GRAIN PRODUCTION WILL CONTINUE TO EVOLVE RATHER SLOWLY, GOP PLANS FOR EXPANSION OF THE LIVESTOCK POPULATION TO MEET THE AS-YET-UNSATISFIED DOMESTIC DEMAND FOR MEAT WILL FORCE POLAND TO BE A SIGNIFICANT GRAIN AND FEED IMPORTER FOR PROBABLY THE NEXT TEN TO 15 YEARS. AS EVIDENCE OF THIS, THE GOP INFORMED THE USG IN 1977 OF ITS DESIRE TO PURCHASE AT LEAST 3-4 MMT OF GRAINS AND FEEDS ANNUALLY (30 MMT IN TOTAL) FROM THE U.S. FROM 1978/79 THROUGH 1895/86.

9. WITH REGARD TO POINTS TO BE RAISED DURING THE VISIT OF SECRETARY BERGLAND TO POLAND, POLISH AUTHORITIES WILL ADDRESS POLISH AGRICULTURAL DIFFICULTIES AND THE NEED FOR CONTINUED COOPERATION WITH USG IN AGRICULTURE. INCLUDED PROBABLY WILL

BE A RENEWED APPROACH ON A PROPOSED US-POLISH BILATERAL GRAINS ARRANGEMENT AND FAVORABLE CONSIDERATION FOR POLAND FOR ANY MEDIUM-TERM AGRICULTURAL CREDIT FACILITY TO BE DEVELOPED BY THE USG. UNDER ANY CIRCUMSTANCES, CCC CREDIT WILL BE A TOPIC OF CONVERSATION, ALTHOUGH THE POLES MIGHT NOT BE PREPARED IN MAY TO DISCUSS ITS REQUEST FOR FY 1979 IN PRECISE TERMS.

10. WE EXPECT THE SITUATION WITH REGARD TO U.S. FARM PROGRAMS AND THE 1978 OUTLOOK FOR U.S. GRAIN AND OILSEEDS PRODUCTION WILL BE OF PRIME INTEREST TO THE SECRETARY'S POLISH DISCUSSION PARTNERS. U.S.- POLISH AGRICULTURAL TRADE WILL ALSO BE REVIEWED AND DISCUSSED.

11. U.S. MARKET DEVELOPMENT COOPERATOR ACTIVITIES IN POLAND AND
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PLANS FOR FUTURE COOPERATION ARE ALSO LIKELY TO BE BROUGHT UP IN THE TALKS AT THE MINISTRY OF AGRICULTURE.

12. IN THE BROADER CONTEXT, IT CAN BE EXPECTED THAT THE U.S. POSITION WITH REGARD TO VARIOUS INTERNATIONAL TRADE POLICY QUESTIONS WILL ALSO BE OF GENERAL INTEREST. INCLUDED MOST LIKELY WILL BE GATT, MTN, THE CAP, AND THE WORLD FOOD CONFERENCE IN MEXICO.

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ACTION EUR-12

INFO OCT-01 ISO-00 EB-08 AGRE-00 CIAE-00 INR-10
NSAE-00 CPR-01 /032 W
-----074420 190755Z /20

R 190639Z APR 78
FM AMEMBASSY WARSAW
TO SECSTATE WASHDC 4577

C O N F I D E N T I A L SECTION 2 OF 2 WARSAW 3263

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13. ALTHOUGH WE FULLY EXPECT THE POLES TO EMPHASIZE COOPERATION

AND FRIENDSHIP WITH THE U.S. DURING THE SECRETARY'S VISIT, THE PROBLEM OF LIVE INSECT INFESTATION IN MULTIPLE SHIPMENTS OF U.S. GRAINS IN 1977 MIGHT ARISE IN THE CONTEXT OF TRADE DISCUSSIONS. THE POLES HAVE SAID THEY SUFFERED HEAVY FINANCIAL LOSSES IN CONNECTION WITH THOSE CARGOES THAT THEIR U.S. SHIPPERS ARE REFUSING EVEN TOKEN SETTLEMENT ON THOSE LOSSES. THE SECRETARY SHOULD BE ALERT TO THIS POSSIBILITY, BUT WE SHOULD LEAVE IT TO THE POLES TO RAISE THE SUBJECT.

14. AS TO SUBJECTS THAT WOULD BE HELPFUL FOR THE SECRETARY TO RAISE, WE WOULD APPRECIATE HIS INITIATIVE ON INCREASED ACCESS FOR US TO AGRICULTURAL PLAN AND PERFORMANCE STATISTICS, INCLUDING THOSE FOR FOREIGN TRADE. THESE DATA (NEVER VERY PLENTIFUL) HAVE BEEN DWINDLING IN QUANTITY AND QUALITY IN RECENT YEARS, RESULTING IN EVEN GREATER DIFFICULTY IN KEEPING ABREAST AND REPORTING ON THE POLISH AGRICULTURAL SITUATION. IF THE SECRETARY COULD OBTAIN AGREEMENTS IN PRINCIPLE ON INCREASED ACCESS TO UNCLASSIFIED INFORMATION FROM THE MINISTERS OF AGRICULTURE, FOOD INDUSTRY, AND FOREIGN TRADE, WE MIGHT GAIN SOME LEVERAGE IN OBTAINING MORE OF WHAT WE NEED DIRECTLY FROM THOSE SOURCES, AND FROM SUBORDINATE ORGANIZATIONS. MOREOVER, PROGRESS IN OBTAINING NEEDED AGRICULTURAL STATISTICS MIGHT LEAD TO PROGRESS IN OBTAINING OTHER ECONOMIC DATA SORELY NEEDED BY THE EMBASSY.

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15. ANOTHER AREA WHICH WOULD BENEFIT FROM THE SECRETARY'S INITIATIVE IS THE MODEL FEED MILL PROJECT WHICH THE U.S. FEED GRAINS COUNCIL IS DEVELOPING WITH THE POLISH ZOOTECHNICAL INSTITUTE (Z.I.). THE PROJECT IS NOW ON THE DRAWING BOARD, BUT UNLESS MINISTERIAL LEVEL PRESSURE IS EXERTED TO OBTAIN IMPORT APPROVAL FOR CERTAIN EQUIPMENT, THE PROJECT WILL NOT BE OPERATIONAL FOR ANOTHER TWO TO THREE YEARS. Z.I. OFFICIALS SAY THAT ONLY HIGH LEVEL INTEREST BY SECRETARY BERGLAND AND MINISTER KLONICA CAN FORCE THE POLISH FTE AGROMETMOTOIMPORT TO GIVE THE PROJECT PRIORITY.

16. FINALLY, ON A COMPLETELY NON-AGRICULTURAL TOPIC, WE HOPE SECRETARY BERGLAND WILL RAISE THE DIVIDED FAMILIES QUESTION WITH HIS POLISH HOSTS. WE LEAVE IT TO THE STATE DEPARTMENT TO PROVIDE THE NECESSARY BACKGROUND INFORMATION, BUT HOPE THE SECRETARY'S VISIT WILL CONVINCE SOME HIGH-LEVEL POLES THAT WE CANNOT VIEW THEIR AGRICULTURAL NEEDS COMPLETELY APART FROM CONSIDERATIONS OF PRIME IMPORTANCE TO US.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: REPORTS, AGRICULTURAL DEVELOPMENT, MINISTERIAL VISITS
Control Number: n/a
Copy: SINGLE
Draft Date: 19 apr 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978WARSAW03263
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780167-0330
Format: TEL
From: WARSAW
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780437/aaaabfpj.tel
Line Count: 219
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 5d3b01ab-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 78 STATE 94513
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 28 apr 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2909784
Secure: OPEN
Status: NATIVE
Subject: SECRETARY BERGLAND'S TRIP TO POLAND
TAGS: EAGR, PL, US, (BERGLAND, ROBERT)
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/5d3b01ab-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014